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History of the CADTM's anti-debt Policies

# Part 3: Argentina - Further Action against Illegitimate Debt

- Features - Economic and debt crisis -

Publication date: Tuesday 23 August 2016

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**This interview presents the genealogy of the anti-debt struggle, the campaigns for debt cancellation, the empirical foundation, the political battles and the concepts of the “illegitimate,” “illegal” or “odious” nature of public debt. In other words, how it is necessary for the Committee for the Abolition of Illegitimate Debt (CADTM) – formerly known as the Committee for the Abolition of Third World Debt – to ally with opposition forces and social movements, where the concepts and the people involved can challenge and overpower debt and its “system” once the government hears their voice. Yet, for CADTM the outright priority is to fortify the activities described below rather than lobbying.**

This interview is published in 5 parts. Part 1 is [here](#) and Part 2 is [here](#), Part 4 is [here](#), part 5 is [here](#).

### **Where else were you more directly involved?**

In Argentina, I was in contact with Alejandro Olmos, [1] a very courageous journalist who, in 1982 at a time when the dictatorship hadn't yet collapsed, filed suit in an Argentine court of law for illegal and odious indebtedness. He prosecuted the military junta before the end of the dictatorship. We worked extensively together, and in 1997 the CADTM invited him to an international conference in Belgium. There, another type of methodology was developed thanks to Olmos. As a result of his lawsuit, Argentina's justice system launched an investigation and two judges were given the task of determining who was responsible for Argentina's indebtedness between 1976 and 1982. That resulted in a 195-page ruling handed down by the federal court in July 2000. [2] So that ruling was the result of an audit of Argentina's debt that was conducted by the judiciary. And it was done despite enormous pressure put on the justice system by the IMF and Argentina's ruling class to keep the investigation from being completed. Beginning in 1998, I was in contact with one of the two judges in charge of the investigation, and he described the pressure that was put on him by other judges, by the Argentine legislature and by the executive to prevent a ruling from being handed down. Alejandro Olmos passed away in April 2000, very depressed and convinced that the investigation would never come to anything. The ruling came only a few months after his death.

## **Concepts of struggle that emerge in action**

### **Despite the end of the dictatorship, is there not a kind of continuity of the moneyed powers?**

Yes, because the audit showed very clearly that the International Monetary Fund (IMF), whose director at the time was a Frenchman, Jacques de Larosière, [3] had given its support to the dictatorial regime so that the American banks would finance the Videla dictatorship [4]. You also have to remember that after the fall of the dictatorship, amnesty had been granted to various members of the military junta, and was only abrogated in the 2000s under the government of Nestor Kirchner. In the 1990s, the IMF, which was a direct accomplice of the military dictatorship, along with the Carlos Menem régime, which applied neoliberal policies championed by the IMF, and also the junta members who had been granted amnesty, and of course businessmen and major private corporations, formed a coalition to keep what had really happened covered up.

Since 1998, the CADTM has also been in close contact in Argentina with Adolfo Pérez Esquivel, [5] Nobel Peace Prize laureate for his contribution to defending human rights, with Beverly Keene, an organiser of Diálogo 2000 and

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Jubilee South, and also with Nora Cortiñas, one of the Mothers of the Plaza de Mayo, who struggle tirelessly for the cancellation of odious debt.

Between the beginning of the dictatorship (March 1976) and 2001, the debt was multiplied nearly twentyfold (from less than 8 billion dollars to close to 160 billion dollars). During that period, Argentina repaid approximately 200 billion dollars, or nearly 25 times what it had owed in March 1976. Argentina's capitalists blithely plunged themselves into debt during the dictatorship and simultaneously invested a large part of that money abroad (via capital flight). The total amount of capital Argentine capitalists salted away in the most industrialised countries and in tax havens during the dictatorship was greater than the amounts borrowed. In 1980-1982 alone, during the last two years of the dictatorship, capital flight totalled 21 billion dollars according to the World Bank. In an ultimate gift to Argentine (and foreign) capitalists, their debts were taken on by the State at the end of the dictatorship. As a result, public debt was increased with the debt-burden of private companies, since the State took on their obligations toward the creditors. And since that period, Argentine capitalists have maintained that policy of capital flight. Argentina's debt was clearly an emblematic case of odious debt.

### Did you go to Argentina to continue the investigation?

Yes, I went to Argentina, and I also conducted analytical work at a distance, since Alejandro Olmos and the Argentine judge I mentioned sent me a series of documents. I studied the accumulation of odious debt, and then the fraudulent process by which it was laundered. [6] It was President Raúl Alfonsín, who took over after the dictatorship, who made that laundering operation possible. But if a debt is odious in nature, restructuring does not put an end to the culpability. The laundering doesn't wash away the prior crime. If the IMF, which lent money to the dictatorship, restructures Argentina's debt while fully aware of what was done beforehand, there is clearly an uninterrupted culpability. The IMF can't just say "*refinancing of the debt is being done with the Alfonsín regime, which is a democratic regime.*"

For us at the CADTM, that also holds true for Rwanda's and the DRC's debts. Argentina's justice system finally handed down an important verdict in July 2000, but no sentences came of it. It handed the hot potato to the Argentine Parliament, which was dominated by the neoliberal right, and which "decided not to decide." It wasn't until September 2014 that the Parliament decided to create a commission to audit the debt accumulated by Argentina from the start of the dictatorship (March 1976) through 2014. I was invited to the Parliament to make recommendations in October 2014, [7] but in practice, the commission didn't accomplish its task and the Right, which won the elections in 2015, buried the case. ATTAC Argentina, which is a member of the international CADTM network, is very active regarding the issue of debt and contributed to the creation of the "Assemblée pour la suspension du paiement de la dette et l'audit de la dette en défense du patrimoine national et des biens communs" (Assembly for the suspension of repayment of debt and audit of debt in the defence of the national legacy and public property." [8]

### For several years Argentina was in suspension of payment and so did not have access to external financing via the financial markets. What happened?

This was the situation: in December 2001, the Argentine authorities, under the interim President Adolfo Rodríguez Saá, unilaterally suspended debt repayments amounting to \$80 billion to private creditors and the Paris Club (\$6.5 billion). Notice that they did not suspend payments to multilateral organisms such as the World Bank, the IMF and others. This action came about in a situation of economic crisis and popular revolt against the policies that had been followed for years by successive neoliberal governments, of which Fernando de la Rúa was the most recent. It was thus under pressure from the street at a time when the treasury was empty that the Argentine authorities suspended

debt repayments.

Argentina's suspension of payments of sovereign debt bonds lasted from December 2001 to March 2005. The suspension was beneficial for the Argentine economy and population. Between 2003 and 2009, Argentina's annual economic growth was between 7% and 9%. Some economists claim that this growth was due to the rise in the prices of Argentina's raw-materials exports, but it is clear that if Argentina had continued paying off its debt, the increased income from exports (in other words, the taxes levied on the exporting companies) would have been used for the debt repayments. The authorities would not have been in a position to devote public spending to aid the unemployed, raise pensions and extend retirement rights to everyone, or to stimulate economic activity in areas other than the export sector.

Between 2002 and 2005 the Argentine authorities negotiated with their creditors to convince a majority of them to agree to exchange the bonds they held for new ones. They offered to trade the securities that were in suspension of payment for new ones, with a reduction in face value of over 60%. In exchange for the 60% writedown, the Argentine authorities guaranteed repayment of the new bonds and a higher interest rate indexed on Argentine GDP growth. This was debt restructuring by exchange of bonds: by March 2005, 76% of outstanding bonds had been exchanged, a majority that was considered sufficient protection against the 24% who refused the exchange. The authorities announced, at the time, that those who refused the exchange would have no further occasion to negotiate.

### **So why did Argentina restructure its debt again, in 2010?**

Indeed, in contradiction with previous declarations and despite the protests of Roberto Lavagna, the minister of economic affairs who had taken part in the 2005 negotiations, the government of Argentina did open a new round of negotiations with the remaining 24% of the creditors. The CADTM network and many organisations opposed the new restructuring. A new agreement was reached with 67% of the 24% in 2010. In all, 8% of all the bonds whose payment had been suspended since 2001 "held out" against both agreements. Under both agreements, aside from the above mentioned characteristics of the exchange bonds, the new bonds issued in 2005 and 2010 contained clauses stipulating that in case of litigation, US courts would be the competent jurisdiction. [\[9\]](#)

### **In the end, can this restructuring be considered a success?**

The restructuring was presented by the Argentine authorities as a success because the reduction in the debt (in terms of debt stock compared to the repayment amounts being demanded of the country) was large – in the neighbourhood of 50 to 60%. But, in return, big concessions were made: high interest rates; indexation to Argentina's GDP growth, which means that the country actually agreed to hand over a share of its growth profits to the creditors; and renouncing sovereignty in case of litigation.

In fact, Argentina's example is not the one to follow, but it is a source of inspiration. It shows the interest of suspending payments and the limits of a negotiated deal that makes big concessions to the creditors. The current situation is evidence enough. Firstly, the amounts in fact reimbursed to creditors are considerable; Argentina itself acknowledges that it has reimbursed \$190 billion since 2003. Secondly, although Argentina's debt was certainly lower between 2005 and 2010, today the amount of Argentina's debt is higher than it was in 2001. Thirdly, Argentina is under heavy and unwarranted pressure to reimburse the vulture funds that refused to accept the exchange offers, after not only a New York judge but the US Supreme Court ruled in favour of the vulture funds. [\[10\]](#)

**What was the nature of your participation in Argentina's struggle against its litigious, recalcitrant creditors, the vulture funds, to restructure the country's debt?**

The law adopted by Belgium against the vulture funds in 2015 is one result of our work. [11] We are not in the habit of engaging in lobbying – unlike [Eurodad](#), another organisation that is mobilised around the issue of debt. Nevertheless, we worked with Belgian Parliamentarians – above all socialists and environmentalists, but obviously not neoliberals. That eventually bore fruit and enabled a majority to be formed.

Regarding Argentina, I criticised the orientation taken by the president of the country, Cristina Kirchner, who absolutely wanted to restructure their debt with the Paris Club. They ultimately did it, and it's costing them very dearly. [12] Their strategy is to play by the rules, even if in her pronouncements Cristina Kirchner claimed to have adopted a strategy of confrontation with the IMF, since Argentina's population has such a low opinion of that institution.

They also thought that François Hollande was really going to help them because France had agreed to be *amicus curiae* (an advisor, literally “a friend of the court”) in the American vulture funds' lawsuit against Argentina. They wrongly thought that Hollande would really “walk the walk.” He hasn't.

As for the strategy to follow in Argentina, the two central issues the CADTM became involved in are:

- First, Argentina demonstrated, beginning in 2001, that it was possible to do without financing via the financial markets. [13] Argentina did not issue a single traditional bond issue on the international financial markets between 2001 and early 2016. Yet its growth rate was especially high, in particular between 2002 and 2009, the year of the big international economic crisis. If it had had a different type of government, Argentina would have really been able to strengthen its ties with countries like Venezuela, Bolivia, Ecuador and others to set up a Bank of the South (see below) and never again require financing via the financial markets. The challenge was to achieve a regional integration different from what was done in Europe – that is, integrating peoples instead of integrating capital. Argentina also could have implemented another fiscal policy that would make the privileged sectors contribute in order to strengthen its endogenous sources of financing. In addition, they needed to move away from the extractivist-exportation model.
- Second, a debt audit process with citizen participation should have been instituted and debt identified as odious, illegitimate or illegal repudiated.
- Argentina missed a historic opportunity.

Finally, during the elections in late 2015, the hard Right came back to power with Mauricio Macri as president. He unashamedly played into the hands of the vulture funds and all the other creditors, complied with all their requests and launched a new wave of neoliberal attacks on economic and social rights and against public property. In Belgium, in 2016, the CADTM began a legal battle to prevent Paul Singer's vulture fund, NML, (based in the US), which was very active against Argentina, from having the Belgian law mentioned earlier declared null and void. [14]

*Translated by Snake Arbusto in collaboration with Vicki Briault*

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[1] [https://es.wikipedia.org/wiki/Alejandro\\_Olmos](https://es.wikipedia.org/wiki/Alejandro_Olmos) (in Spanish)

[2] [http://web.archive.org/web/20130927083820/http://www.laeditorialvirtual.com.ar/Pages/Ballesteros\\_JuicioSobreDeudaExterna/Ballesteros\\_001.htm](http://web.archive.org/web/20130927083820/http://www.laeditorialvirtual.com.ar/Pages/Ballesteros_JuicioSobreDeudaExterna/Ballesteros_001.htm) (in Spanish) or [http://cadtm.org/IMG/pdf/sentencia\\_olmos.pdf](http://cadtm.org/IMG/pdf/sentencia_olmos.pdf) (in Spanish)

[3] Jacques de Larosière de Champfeu, born in 1929 in Paris, was Managing Director of the International Monetary Fund (IMF) from 1978 to 1987. Following that, he was Governor of the Banque de France (1987-1993). From 1993, he headed the European Bank for Reconstruction and

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Development (EBRD). That same year, on 3 May, 1993, he was elected to the French Académie des sciences morales et politiques (Academy of Moral and Political Sciences), taking the seat of Henri Cardinal de Lubac. From 1998, he was an adviser to Michel Pébereau, CEO of the bank BNP Paribas.

[4] For more information on the complicity of US corporations (including banks) see Juan Pablo Bohoslavsky and Veerle Opgenhaffen, "The Past and Present of Corporate Complicity: Financing the Argentinian Dictatorship" <http://harvardhrj.com/wp-content/uploads/2010/10/157-204.pdf> This report also highlights support that the US government gave to the dictatorial regime. The Obama administration has recently started to declassify a number of documents concerning this period, see <https://icontherecord.tumblr.com/post/148650765298/argentina-declassification-project>

[5] [https://en.wikipedia.org/wiki/Adolfo\\_P%C3%A9rez\\_Esquivel](https://en.wikipedia.org/wiki/Adolfo_P%C3%A9rez_Esquivel)

[6] See <http://cadtm.org/Argentine-maillon-faible-dans-la> (2002, in French only)

[7] See <http://www.cadtm.org/Argentina-must-audit-the-debt> and <http://cadtm.org/Argentine-Eric-Toussaint-a-propos> (2014, in French or Spanish)

[8] <http://www.cadtm.org/Audit-de-la-dette-en-Argentine> (in French) and <http://www.cadtm.org/Resistances-a-l-endettement> (in French)

[9] This relinquishment of national sovereignty goes back to the military dictatorship that took power in 1976.

[10] On Argentina and the vulture funds, see: Renaud Vivien, "Un vautour peut en cacher d'autres", carte blanche, *Le Soir*, 23 June 2014 (in French); "Vulture funds: US court ruling on Argentina enrages debt justice campaigners" <http://www.cadtm.org/Vulture-funds-US-court-ruling-on>; "No Need to Negotiate with Vulture Funds", <http://www.cadtm.org/No-Need-to-Negotiate-with-Vulture>; "New anti-vulture fund legislation in Belgium: an example for Europe and rest of the world", <http://www.cadtm.org/New-anti-vulture-fund-legislation>; "Debt Justice Campaigners Call for Regulation of Vulture funds", <http://www.cadtm.org/Debt-Justice-Campaigners-Call-for>; "The vulture funds that corner Argentina also come for you", <http://www.cadtm.org/The-vulture-funds-that-corner>

[11] See the text of the law and the explanatory statement: <http://www.dekamer.be/FLWB/PDF/54/1057/54K1057001.pdf> (in French and Flemish)

[12] <http://cadtm.org/L-Argentine-signe-un-accord-dit> (in French); also see "Argentina: encouraging news from the front of resistance against illegitimate debt", <http://www.cadtm.org/Argentina-encouraging-news-from>

[13] In another context, Benjamin Lemoine shows convincingly how France financed herself for more than 20 years following the Second World War without recourse to the market. See: Benjamin Lemoine, *L'ordre de la dette, Enquête sur les infortunes de l'État et la prospérité du marché* (La Découverte, 2016) (in French). See also: <http://www.cadtm.org/Refaire-de-la-dette-une-chose> (in French) and <http://www.cadtm.org/Livres-pour-l-ete-la-dette-pour> (in French)

[14] See Renaud Vivien, "Fonds vautours : quand les spéculateurs veulent faire la loi en Belgique", <http://www.cadtm.org/Fonds-vautours-quand-les> (in French)